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STATE FOR AF/EPS POTASH AND DAVIDSON; EBB/TPP FOR LURIE  
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ALSO PASS TO USAID AFR/EA  
TREASURY FOR VIRGINIA BRANDON

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SUBJECT: AFRICAN LEADERS LAUNCH CONTINENT'S LARGEST ECONOMIC  
COMMUNITY

11. (SBU) Summary: The leaders of 26 African countries agreed in Kampala on October 22 to begin work establishing a new economic community to compete more effectively in the global economy. The joint declaration of the First COMESA-EAC-SADC Tripartite Summit calls for a merger of the three economic communities, making it the largest trading bloc in Africa. The leaders established a task force to conduct a six-month study to determine the mechanisms and timing for the creation of a single economic entity in east and southern Africa. International observers are taking a wait-and-see attitude, but the African leaders present expressed optimism that though there will be winners and losers, all members will benefit over the long term from increased inter-regional trade and more leverage in the global economy. Countries will be able to determine when they join the merged community, which might help persuade hesitant states to sign on at a later date. End Summary.

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FROM CAIRO TO CAPE TOWN  
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12. (U) The 26 member states of the Common Market of East and Southern Africa (COMESA), the East African Community (EAC), and the Southern African Development Community (SADC) met in Kampala on October 22 under the auspices of the first COMESA-EAC-SADC Tripartite Conference. The African leaders' objective is to boost trade and attract investment across Africa by creating one economic union from three existing bodies with overlapping membership. A communique issued at the summit stated the countries would work "toward a merger into a single regional economic community with the objective of fast tracking the attainment of the African economic community." The three blocks represent countries from Cairo to Cape Town with a combined population of 527 million and a total GDP of \$624 billion. Leaders pledged to begin work immediately.

13. (U) The community would include a free trade zone and customs union, coordinate on high priority infrastructure, and develop joint positions in the negotiation of free trade deals. Current COMESA Chairperson and Kenyan President Mwai Kibaki stressed that the agreement was "truly historic" because the summit was the first time the three blocs had held a meeting to discuss wider economic integration efforts. "By ourselves, our countries are not equipped to compete at the global level," he said.

14. (U) The leaders believe that a merged economic community will increase levels of international trade within Africa and harmonize African interaction in the global economy. A task force will carry out a six-month study of the merger mechanisms and develop a roadmap

for the integration. Observers at the meeting said an agreement envisioned in the study would likely include a provision allowing countries to join the economic union at their own speed, in a process similar to that of the European Union in order to prevent skeptics from slowing integration. The agreement would also include coordinated development of infrastructure and aim to allow free movement of labor between signatory countries.

15. (U) The merged community would develop harmonized positions toward the World Trade Organization and other trade agreements. A tripartite "Council of Ministers" will convene in one year to determine the time-frame for implementation of the free trade zone. Participants called on member states to speed development of joint financial systems, capital markets, and commodity exchanges. According to the declaration, the three blocs will work to remove barriers from international air travel and build an inter-regional broadband Internet network, making it less expensive to do business within Africa. The three blocs also resolved to coordinate plans for regional transport networks and energy infrastructure within 12 months.

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MULTIPLE, OVERLAPPING MEMBERSHIPS  
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16. (U) The new body would remove confusion caused by countries' current multiple and overlapping memberships in the three organizations. The members of the three bodies are as follows:

-- The 19 countries of COMESA are Libya, Egypt, Sudan, Eritrea, Ethiopia, Djibouti, Kenya, Uganda, the Democratic Republic of Congo,

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Rwanda, Burundi, Zambia, Zimbabwe, Malawi, Swaziland, Mauritius, Seychelles, Comoros, and Madagascar.

-- The five countries of the EAC are Kenya, Uganda, Tanzania, Rwanda and Burundi.

-- The 14 states of the Free Trade Area (FTA) of the SADC are Botswana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe, Angola and the Democratic Republic of the Congo (DRC).

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LEADERS HAIL AGREEMENT  
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17. (U) The chairpersons of the three organizations hailed the agreement. In his statement, Kenya's President Kibaki said that any decision was "bound to have an effect on the entire continent, broadening economic cooperation at the continental level." Current EAC Chairperson and Rwandan President Paul Kagame added that multiple and overlapping memberships in economic groups were damaging competitiveness. "There is no doubt about the benefits of further regional economic integration," he emphasized. Ugandan President Yoweri Museveni put the agreement in historical context. "The greatest enemy of Africa, the greatest source of weakness, has been our disunity and low level of political and economic integration," he argued. Other heads of state at the meeting were South African President and Chairperson of the SADC Kgalema Motlanthe; Tanzanian President and current African Union Chairman Jakaya Kikwete; and Zimbabwean President Robert Mugabe. Of the heads of state present at the opening ceremony, only Mugabe did not speak.

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COMMENT  
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18. (SBU) The lofty rhetoric at the meeting notwithstanding, significant challenges remain for the three organizations to harmonize the needs of members and move forward with this initiative. International observers and delegates at the meeting admitted progress would take time and noted the traditional political challenges in getting such a diverse group of countries to

move forward together, including the fear of domination by larger economies such as Egypt and South Africa. The consensus, however, is that a larger economic union was needed and that the provisions to allow a small group of countries to join first and pave the way for skeptics to join at a later date were critical. This would ensure that countries such as South Africa, which is allegedly unhappy that it is not in a leadership position to shape the initiative, cannot hold up progress by remaining outside the union. End Comment.

BROWNING